



International Prepaid Communications Association Presentation¹

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International Prepaid Communications Association
904 Massachusetts Avenue, NE
Washington, DC 20002
Ph: 202.544.4448
Fx: 202.547.7417
www.I-PCA.org

¹ This presentation contains the views of the International Prepaid Communications Association, Inc, and not necessarily those of each individual member of the Association.

IPCA Supports The COSUS And Sprint Proposals To Replace The Existing Universal Service Funding Mechanism with a Per-Connection Charge

EXISTING REVENUE BASED MECHANISM IS UNECONOMIC AND UNSUSTAINABLE

- Universal Service Fund is Growing While Revenues from Long Distance Providers are Shrinking
- Revenues And Interstate Switched Minutes Are Declining
- Surplus Capacity Puts Downward Pressure On Prices
- Cellular/Wireless Alternatives Penetrating The Traditional LD Market
- Alternative Services (i.e. Email, VOIP and Instant Messaging) Eroding Market Share From Traditional LD Services

EXISTING SUPPORT MECHANISMS CREATE BARRIERS TO SERVING THE DOMESTIC LONG DISTANCE MARKET

- Existing Regulatory Scheme Creates Disincentives for Serving Domestic Interstate Market
 - o Providers of international service think twice before offering viable, competitive domestic long distance service and subjecting total end user revenues to surcharges
- Service Choices Are Often Based on Technology, and Not Applications, in Order to Minimize Regulatory Charges.

IPCA SUPPORTS COALITION AND SPRINT PROPOSALS TO REPLACE EXISTING REVENUE-BASED ASSESSMENT WITH A PER-LINE CHARGE:

- Carriers Who Provides The End-User Connection Will Remit The USF Charge
 - o ILECS Will Remit Based On Loops Provided To End Users
 - o CLECS Will Remit Based On Loops Provided To End Users (either via UNE-P or otherwise)
 - o Wireless Carriers Will Remit On A Per Phone Number Basis.
 - o Carriers Without End User Connections Will Not Collect and Remit Directly
 - o Any Carrier That Provides High Capacity Interstate Service To End Users Will Collect And Remit The USF Charge.

BENEFITS OF A PER-LINE CHARGE:

- Equitable Among All Businesses In Telecom
- Reduces Customer Confusion
- Eliminates Incentives For Carriers And Customers To Make "Technology-Biased" Choices
- Promotes Additional Competition In Domestic Long Distance Marketplace
- Competitively Neutral And Non-Discriminatory Between Carriers
- Increased Administrative Efficiency
- Eliminates Need For Technology-Biased Exemptions